



Risk management and the business model

An analysis of UK listed companies and Financial
Reporting Council (FRC) model reporting



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1. Introduction to the business model

Business schools across the world are investigating the importance of the business model as a tool for enhanced business performance. It has been argued that a clear statement of the business model enables a company to achieve a robust understanding of what it is seeking to achieve and the associated threats and opportunities. Also, publishing a comprehensive description of the business model provides all stakeholders with insight into the key dependencies for the company.

The Financial Reporting Council (FRC) has a requirement for listed companies to report on their business model and strategy. This report considers the importance of these enhanced reporting requirements and how this enables risk professionals to have greater influence on the success of the company. This is an important opportunity for risk professionals, given the increasing complexity of business models, as a result of greater reliance on suppliers and outsourced service providers as part of the extended enterprise.

This report considers the importance of the business model and provides examples of business model descriptions provided by selected companies listed on the London Stock Exchange. Listed companies are subject to the requirements of the UK Corporate Governance Code published by the Financial Reporting Council (FRC). Based on the analysis of these examples, a template for presenting the information required to describe the business model of a company has been developed. The template for describing the business model is summarised in Appendix A.

Having described the business model, a risk assessment can be undertaken to identify threats to the future success of the company. Analysis of any proposed changes to the business model can then be undertaken. Implementation of tactics to achieve these changes delivers the longer term strategy. The existing business model can be evaluated in terms of anticipated changes that could impact the company. These changes may be initiated by the company itself, or they may be outside the control of the company. The most high-profile example of a change outside the control of the company is Brexit. Appendix B provides a template for assessing the challenges of Brexit.

This report analyses extracts from the Annual Report and Accounts of several companies listed on the London Stock Exchange, as listed in Appendix C. Analysis of the information provided about the business model of these companies forms the major part of this report. The examples included provide genuine insight into the business model of the company, using the template set out in Appendix A. The template in Appendix A has been used to develop Appendix B which offers a series of questions that facilitate an analysis of the challenges to the business model associated with the potential impact of Brexit.

2. Review of FRC guidance on business model reporting

The Financial Reporting Council (FRC) has analysed the early attempts at reporting on the business model of selected listed companies. The extracts set out below from the FRC report provide insight into the investigations undertaken by the FRC. The FRC investigations concentrated on the format of the business model reports and the position of this information within the Annual Report and Accounts. This is a narrower view than is provided in this report which seeks to take a more comprehensive view of the importance of the business model.

Some companies are reluctant to publish full details of their business model, because of commercial confidentiality. This will be particularly true in relation to customer management, including details of product and customer development plans. This report provides a template for the business model, including the information that companies would normally treat as confidential. The description of the business model can be used to support the evaluation of future strategic plans, both in relation to changes within the control of the company and, especially, in relation to changes outside the direct control of the company, specifically Brexit.

The three extracts right from the FRC report¹ illustrate the context and scope of the FRC report and the importance the FRC places on business model reporting.

Business model reporting (page 3)

Investors are unanimous that business model information is fundamental to their analysis and understanding of a company and its performance, position and prospects, both at the initial investment stage and for their ongoing monitoring and stewardship responsibilities.

Regulatory context (page 5)

No definition of business model is provided in either the UK regulations or the EU Directive, and no commonly agreed definition currently exists in academic research or business literature. In practice, discussions on business model often drift into strategy, with the lines between them blurred.

Scope of the project report (page 6)

In this report, we use the following definitions commonly articulated by the project participants:

- Business model – what the company does, how it does it, and how it creates economic value now;
 - Strategy – where the company is going and how it is going to get there. It may involve changes to, or emphasis of, aspects of the business model.
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¹ Financial Reporting Council publication 'Business model reporting' (October 2016)

3. Components of the business model

There are many alternative versions of the business model. Figure 1 illustrates the IRM version of the business model and it is intended to be comprehensive. It provides a framework for identifying risks to each component of the business model, including identification of the potential impact of changes in the external business context. In particular, Figure 1 can be used to identify the possible changes that may be required because of Brexit.

Preparing the business model enables the company to identify key dependencies required for success. It is useful to identify these dependencies, so that robust identification of the business model weaknesses and vulnerabilities (as well as opportunities) can be undertaken. This is also important for the development and implementation of strategy. Internal and external changes may impact the existing business model and strategic plans. Internal changes will be under the control of the company, but external changes will be outside the control of the company.

Figure 1 illustrates the extent of the information required to fully describe the company business model. Brexit may impact many of the components of the business model and/or create challenges, uncertainty or instability. Appendix A provides a template based on Figure 1 that can be used to understand the business model and provide a full description of each component. Appendix B includes lists of the challenges that may result from Brexit, although it is important to note that Brexit may also create opportunities.

The business model template is presented as four components and each of these components is divided into two sub-components. Analysis of comments in the selected Annual Report and Accounts, as listed in Appendix C, is offered under the following headings:

1. Offering to customers:
 - Context of the business
 - Value proposition for customers
2. Customer management:
 - Customer segments and targets
 - Customer servicing and support

3. Resource utilisation:
 - Assets, activities and core processes
 - Structure, partnerships and networks
4. Resilience information:
 - Leadership, governance and reputation
 - Costs, revenue and cashflow

In summary, the business model indicates that customers receive the offering from the company because it utilises available resources. The customer offering is underpinned by the resilience of the company. The concept of the business model does not apply only to listed companies, it also applies to other types of organisations. All organisations have a business model that defines how they deliver the customer offering. Specifically, public sector, third sector and not-for-profit organisations will have a business model designed to deliver their vision and/or mission statement.

A risk assessment of the components of the business model will enable any organisation to evaluate the robustness of the existing business model and identify the events that could impact the efficient and effective delivery of the customer offering. The assessment should also identify opportunities for improving operational and compliance efficiency. This will help the organisation identify the risks it is willing to take – often defined or characterised as the risk appetite.

It is important to note that the business model represents the existing means for delivery of the customer offering and provides a description of operational and compliance activities. Risk assessment of the components of the existing business model will enable any organisation to identify options for improvements to customer offering and/or the overall business model. The identification of an updated business model represents the strategic position that the organisation is seeking to achieve.



Figure 1: representation of the components of the business model

4. Extracts from published company reports

Component 1: Offering to customers

The purpose of any organisation (including listed companies) is to provide an offering to the various groups of stakeholders and, in particular, customers. A description of the business model based on broader stakeholder expectations goes beyond disclosure restricted of the information required by the shareholders in a public limited company.

The starting point for a description of the business model may be the customer offering, customer management or available resources. Different companies will successfully use different starting points. However, Figure 1 indicates that the offering to customers is the primary consideration for any company, and the context within which that offering is made is the first aspect of the business model that needs to be addressed.

Sub-component 1.1: Context of the business

The context of a company defines several features, including the status and ownership of the company and the regulatory environment, as well as the competitive nature of the marketplace in which it operates. Indeed, establishing the context is a vitally important component of the risk management process, but it is also the starting point for the description of the business model. The extracts below clearly indicate that the context of the company needs to be established before describing the customer offering, must be presented within the context of the company itself.

Network Rail Limited

We are a public-sector company that operates as a regulated monopoly. Our income is a mix of direct grants from the UK and Scottish Governments, charges levied on train operators that use our network, and other income, mainly from our commercial property estate. The Governments specify what they need from Britain's railway and how much they can afford to contribute.

Vodafone Group Plc

Our global scale and reach, leading network quality, and the breadth of services we offer helps differentiate us from our peers. Our business model is simple – maintain a virtuous circle of high investment, to maintain a superior network and customer experience, leading to strong cash generation so that we can reinvest and reward our shareholders.

Barratt Developments PLC

We design outstanding homes and places for our customers, using standard house designs, developed using customer research. Successful development enhances local relationships and reputation, helping source future sites and obtain effective planning permissions, community support and customers.

The extracts from the selected listed companies provide useful information on the context within which the company exists. All these companies are public listed companies. Therefore, the information provided in the Annual Report and Accounts is a primarily intended for shareholders. Accordingly, the need to provide detailed information on context is reduced. Nevertheless, the above extracts demonstrate that many companies carefully define their context.

Sub-component 1.2: Value proposition for customers

For most companies, the value proposition for customers, often referred to as the unique selling points, provides an insight into the products and/or services that are offered. In describing the value proposition, the company should provide insight into the level of self-confidence displayed by the company. It also needs to provide insight into how the company differentiates itself from competitors, the range and scope of the customer offering(s) and the actions being taken to accommodate changing customer expectations.

Sky plc

We are focused on delivering the very best content, innovation and service for our customers. Our strengths include great content; market-leading innovation; and customer focus. We invest to deliver the best and broadest range of content right across the portfolio of channels and services we provide to customers, offering something for everyone in the household.

Amec Foster Wheeler plc

We provide high-value services – consulting, engineering, project and construction management, and supply chain management. These skills are critical to the successful development and operation of our customers’ assets – right across their lifecycle. We have a particularly strong reputation for delivering engineering solutions for complex projects.

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ASOS

We understand our customers, what inspires them and what interests them. We reach them by producing great content and we know how to make our content matter to them. This elevates us from being a shop to being a fashion destination and the customer’s experience of our content turns a simple sale into a loyal customer, who returns to us more frequently.

.....

Having established the context within which the business exists, the business model should describe the customer offering. The extracts shown above provide examples of companies with a clear understanding of their customers and what they offer them. These companies have a high degree of self-confidence and provide a clear indication that each company understands the requirements of its existing and target customers.

Component 2: Customer management

Customer management is vital for a successful business. It requires understanding of the marketplace, as well as design and implementation of effective marketing and sales activities. However, to be successful in the recruitment of customers from target segments, the company also needs to determine the arrangements for customer servicing and support.

The quality and range of services and products provided and the standard of after-sales service depends on the business sector within which the company operates. It is important for a company to undertake innovation in design and delivery of customer expectations to maintain a competitive position. Customer satisfaction surveys can form an important part of this work.

Sub-component 2.1: Customer segments and targets

The success of the company depends on the creation of a sufficient number of satisfied customers. To achieve this, companies need to have good understanding of their market and this involves market analysis and segmentation. A description of the marketing and sales activities, backed-up by a description of the expansion opportunities created by changes in external market conditions can have a significant impact on customer recruitment, retention and profitability.

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Barratt Developments PLC

We constantly innovate our sales and marketing methods to customers. We have strong, well-recognised brands that have carefully defined market positions. This creates good sales rates and revenues delivering improved returns and efficient sales processes enhance the customer journey from reservation through to completion.

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Sky plc

Growth opportunities arise from growing pay TV penetration; selling more to customers; and scaling adjacent businesses. We focus on broadening out our range of products and services to offer more to existing customers and address more of their needs. We will begin offering customers in the UK our new mobile phone service later this year.

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Worldpay Group plc

We provide our customers with access to our global payments network through a variety of mechanisms. Customers can access our network at the point of sale, e.g. with a hardware terminal, a kiosk, a tablet, or a phone with an app; on a website, through a customer’s own website, or using our payment pages; and through a wide array of devices ‘embedded’ with our payment technology.

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The examples provided indicate that the companies have well developed plans for the identification of appropriate market segments and customer targets. A well-developed business model will include consideration of existing customers, but also includes description of the potential for developing new business from existing customers and successful recruitment of new customers.

Sub-component 2.2: Customer servicing and support

The delivery of products and services to customers is a rapidly changing component of many business models. This involves analysis of financial trade barriers and other non-tariff barriers to trade. Online procurement of goods and services has transformed the way in which products and services are delivered to customers and the way in which customer support is provided. Customer satisfaction surveys also need to be undertaken.

ASOS

Our vision is to fundamentally change the way our customers live and shop for fashion on mobile through: (1) customer engagement – delighting our customers, providing them with inspiration; (2) technology innovation – staying ahead of our customers' expectations; and (3) shopping experience – delivering the most enjoyable and seamless shopping experience available on mobile.

Royal Mail plc

We focus on delivering our customers' expectations in the most efficient way possible, maximising the funds available to reinvest in the business and to pay progressive dividends to shareholders. As the universal service provider, Royal Mail has the capability to visit every address in the UK, delivering letters and parcels.

Dixons Carphone plc

In order to ensure we understand what products and services our customers want, how they use the products they buy from us and what they think of the service they get from us, we use extensive customer insights. This includes customer panels, interviews, home visits and detailed surveys. We use this information to build our ranges, improve our stores and services and for other business decisions.

The examples are all from business to customer (B2C) companies, because this is the area in which the most significant developments have occurred regarding the delivery of services and products. The examples provided illustrate the proactive way in which these companies approach their customers. They also illustrate the dynamic approach adopted by these companies to ensure (and subsequently monitor) maximum customer satisfaction.

Component 3: Resource utilisation

To provide the customer offering, a company requires resources and it is often the way in which resources are utilised that differentiates the company business model. For many companies, an 'asset-light' approach is appropriate, whereby physical assets are not owned by the company. In these circumstances, the primary resource is technical or management skills and many companies acknowledge people as the most important resources of the company.

Even if a company is asset-light, it will still require access to the physical resources. However, there has been an increasing trend towards outsourcing. This has resulted in the development of complex supply chains, partnerships and networks. It is a useful insight into the business model of a company to understand the balance between asset ownership and people skills.

Sub-component 3.1: Assets, activities and core processes

Every business has assets, activities and core processes. Description of the business model should explain the importance of people resources (management and/or technical) and the importance of intellectual property to the success of the business model. All companies require buildings, property and other physical assets, as well as an IT infrastructure, but the extent to which these are owned by the company should be explained in the description of the business model.

Amec Foster Wheeler plc

People are our principal asset and our employees are clever people. Their skills are a scarce resource. Our highly skilled engineers, project managers, consultants and scientists deliver for our customers, creating long-term customer relationships and a strong reputation for excellence. Our future success relies on attracting, developing and retaining the best people.

Berkeley Group Holdings plc

We acquire land selectively with a focus on long-term, complex schemes where we can use our expertise to add value through creating new places. Our experienced land teams understand our focus on investing selectively in the right locations, where there is underlying demand for new homes, good transport links and the scope to create successful new places.

Worldpay Group plc

As money moves through our platform, we detect and prevent fraud at each step. We perform due diligence on new customers to protect end consumers; our platform checks the validity of the payment instrument, the payer and the customer at the point of a transaction; and we offer software tools for customers to set their own tolerance for risk.

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The examples provided illustrate the importance of the key assets and resources. The key asset may be people, or physical assets, such as land. The description of the business model should clearly describe the reliance on physical assets. There may be reliance on data, people capabilities and/or established core processes where intellectual property is a key component. The extracts provide a good insight into the resource requirements of the each company.

Sub-component 3.2: Structure, partnerships and networks

All companies require a management structure and this should be described as part of the business model. For large diverse companies, the overall structure of the group of companies should be identified. A critical feature of the business model is identification of supply chains, outsourced activities and other business networks required to deliver services and products to customers. Finally, the cost and availability of raw materials may be critically important as may be the performance of specific suppliers.

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Royal Mail plc

Our business model leverages our resources and relationships (e.g. our networks, people and brand) to deliver highquality, value for money services for customers wanting to send and receive letters and parcels. In our core network, we benefit when we deliver letters and parcels together – providing services at the lowest possible cost.

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EasyJet plc

Our sustainable business model makes travel easy and affordable and drives growth and returns for shareholders. The success of our business depends on a number of key resources, including capital; aircraft; people; technology and insight; and (finally) stakeholders. easyJet interacts with a number of stakeholders, such as customers, suppliers, regulators and national governments.

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Marks and Spencer Group PLC

A sustainable supply chain is key to creating sustainable value. Our team of 450 employees in nine regional sourcing offices in our key clothing sourcing markets are responsible for sourcing our products efficiently and with integrity, working collaboratively with our buying and design teams. We have excellent relationships with our food suppliers.

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The examples illustrate diversity in the way that companies employ external resources, by way of outsourced services and/or supply chain arrangements. In all cases, the importance of supply chains is emphasised both in terms of being a critical component of a successful business model, but also in terms of the value placed on established business relationships and networks.

Component 4: Resilience information

Every company requires adequate resources that are fully aligned with delivery of the customer offering. However, it is also essential that the company has sufficient resilience (and sustainability) in the business model. Good relationships with the existing customers are essential, but if insufficient attention is paid to the resilience of the company, the business model is unlikely to be successful or sustainable in the longer term.

Resilience has two components and the first is based on leadership and governance, including the ethics of the company and the reputation that the company has developed. Companies with self-confidence, a positive reputation and a large amount of goodwill from customers are more likely to be resilient than a company that does not have these features. Also, financial resilience is essential if the company is to be sustainable into the longer term.

Sub-component 4.1: Leadership, governance and reputation

Good standards of leadership and governance create a 'risk-aware' culture and help develop behaviours that enhance the sustainability and resilience. Company values, standards, culture and ethics are critically important in ensuring resilience and sustainability. This is even more important if the context for the company is highly regulated with significant compliance expectations. This is especially true for companies that are highly dependent on their brand and reputation.

Ibstock PLC

The group is a leading manufacturer of building products with a diversified range of clay and concrete products. The group trades through operating companies that have leading positions in their product segments. They are underpinned by a group structure that sets common values and compliance standards and provides financial and strategic support.

IMI PLC

Our business model is built around our core strategic priorities of capitalising on growth opportunities, operational excellence, investment in product development and targeted acquisitions. Continuous investment in these areas will deliver improved, more innovative products and services to our customers and help us increase our competitive advantage.

Rio Tinto PLC

Rio Tinto owns a global and diversified portfolio of world-class assets: the result of investment decisions made in line with our longstanding strategy. We create value through the way we find, develop and operate these assets, how we market the minerals and metals they produce, and the legacy we leave at the end of their lives.

The extracts provide explicit statements of the value placed by the company on ethics, values and compliance standards. Leadership also extends to the desire to ensure operational excellence, together with innovative products and services. It is also worth noting that, for many companies, leadership and governance extends into environmental considerations and the development of appropriate and ethical exit strategies at the end of a project or operational activity.

Sub-component 4.2: Costs, revenue and cashflow

Every company must be underpinned by financial sustainability in relation to costs, revenue and cashflow. This includes availability of adequate funds, allocation of capital to selected projects, and resilience to market risks, such as interest rate and foreign exchange rate fluctuations. There is also a need to ensure appropriate internal financial control, adequate funding of historical liabilities and robust control of credit risk. Also, business continuity arrangements are a vitally important component of a successful business model.

Big Yellow Group PLC

We are the UK industry's most recognised brand with prominent stores on arterial or main roads. We have the largest share of web traffic and excellent customer service, customer feedback programme with store level customer satisfaction surveys. We also have a secure financing structure with strong balance sheet and low bad debt expense.

Royal Bank of Scotland Group PLC

Our business earns income from trading activities supporting its provision of financing and risk management services to customers. We do business in competitive markets but we have strong franchises and good growth opportunities, and we aim to target our investment to maximise these opportunities.

REXAM PLC

Our aim is to build strong and mutually beneficial relationships with our customers to ensure that we are the preferred can supplier. Cost leadership is essential and the location of our can making network relative to our customers' filling locations is important in minimising logistics and freight costs. Larger customers are moving to global procurement models.

The examples provide details of the components of the business model concerned with financial management. The description of the business model should include information on financial structure of the company and future investment plans. For many companies, it is not only the level of income generated, but also the quality or reliability of income streams. The extracts illustrate a mature attitude to financial sustainability.

5. Brexit, strategy and the future business model

Having identified the business model and undertaken a risk assessment, an organisation then needs to decide whether the existing business model is sustainable. If there is scope to improve the business model, a new or modified business model will need to be designed. Achieving this enhanced business model represents the implementation of strategy. How the business model is modified to achieve the strategy are the tactics and these tactics will be implemented by way of projects and/or programmes of work to achieve the required changes.

Business models can be complex and have many dependencies, including suppliers and outsourced facilities. The weaknesses and inefficiencies in the existing business model need to be identified. Analysis of the business model represents an alternative to the standard approach to undertaking a risk assessment of attaching risks to business objectives. Strategy represents intended changes to the business model to take account of (anticipated) developments. Future events (especially Brexit) will affect the existing business model of almost all organisations. Organisations need to decide what additional actions they will take to respond to the challenges of Brexit and update the business model as part of the implementation of strategy.

This paper has been primarily about the current business model operated by listed companies on the London Stock Exchange. Analysis of the information provided has resulted in the development of an IRM business model template, as set out in Figure 1. Requiring businesses to comment on the existing business model requires the identification of the key dependencies and core business processes. This enables a risk assessment to be undertaken of each of the topics discussed in this paper and summarised in Appendix A.

Having facilitated a risk assessment of the four components of the business model, risk professionals can then help to identify the risks embedded in the existing business and facilitate the identification of risks created by proposed changes to the business model, including those risks and challenges resulting from the implementation of strategy. This analysis and structure for the business model also provides a structure and/or agenda for the board discussion on Brexit risks.

The company can then answer questions arising from Brexit and other challenges:

- how will future events impact the existing business model and/or expose weaknesses in the existing business model
- what is the strategy for updating the existing business model and what are the associated implementation risks
- what are the external Brexit challenges and risks that require additional changes to the business model
- what additional actions are required because of Brexit, implement a strategy and update the business model

6. Commentary and lessons for risk professionals

Risk professional should always be seeking ways to facilitate and enhance the board discussion on risk and risk management. The October 2016 report from the FRC on business model reporting confirms the importance of risk management within the corporate governance framework. There are several advantages to using business models as the basis of undertaking a Brexit risk assessment:

- Structure of the business model enables risk specialists to partner with the business
- Business model adds transparency around the impact of Brexit challenges
- Business model facilitates discussion that is not overwhelmed by operational detail
- Discussion of changes to existing business models needs to be strategic

In response to UK Corporate Governance Code, boards are already discussing the business model for the company and the risks embedded in longer term strategy. This represents

an opportunity for risk professionals to help enhance the robustness of existing business models and strategy. There are many ways of facilitating a robust discussion about Brexit and analysis of the business model offers a focussed and effective means of engaging board members. There is an opportunity for risk professionals to bring structure to the assessment of Brexit risks. Appendix B is a checklist of questions to provide structure when considering the extent of the impact of Brexit.

Although most companies provide a substantial amount of useful information, the quality of reporting on the business model is variable. The generic weaknesses found in reporting the business model are set out in Table 1. These weaknesses help identify the priorities for risk professionals. The comments in Table 1 relate to the generality of reporting on the business model and not criticism of any specific company.

COMPONENT OF BUSINESS MODEL	STATUS AND COMMENTARY ON QUALITY OF REPORTING
Offering to customers	
<ul style="list-style-type: none"> • Context of the business 	<i>Scope for improvement:</i> importance and associated constraints of the regulatory context tend to be understated
<ul style="list-style-type: none"> • Value proposition for customers 	<i>Generally satisfactory:</i> clear and concise statement of the value proposition for customers provided in most cases
Customer management	
<ul style="list-style-type: none"> • Customer segments and targets 	<i>Generally good:</i> clear statement of targets customer segments, although less information is provided about target groups
<ul style="list-style-type: none"> • Customer servicing and support 	<i>Generally good:</i> importance of customer support is recognised, and most companies display high level of self-confidence
Resource utilisation	
<ul style="list-style-type: none"> • Assets, activities and core processes 	<i>Scope for improvement:</i> assets are not always clearly explained or described, although importance of people skills is made clear
<ul style="list-style-type: none"> • Structure, partnerships and networks 	<i>Scope for improvement:</i> value of partnerships and networks are clear, but not the risks are not always explained
Resilience information	
<ul style="list-style-type: none"> • Leadership, governance and reputation 	<i>Generally poor:</i> importance of ethics, culture and reputation are usually under-stated as components of the business model
<ul style="list-style-type: none"> • Costs, revenue and cashflow 	<i>Generally good:</i> arrangements to achieve strong financial resilience are usually explained in detail

Table 1: comments on quality of business model reporting

Appendix A:

IRM template for the format of the business model

Component 1: Offering to customers

1.1 Context of the business

- **Company status:** ownership, legal and capital structure and purpose of the business, including business sector and international footprint
- **Regulatory environment:** regulatory environment and specific regulator activities, including extent of regulatory influence and control
- **Marketplace competition:** nature of competitor activities in the marketplace, and reliance on brand recognition and reputation

1.2 Value proposition for customers

- **Competitor differentiation:** competitor differentiation to increase customer recruitment and business reputation
- **Offering choice:** range of the customer offering(s) to maintain competitor advantage and enhance customer retention
- **Customer expectations:** developments that demand innovation in the nature and delivery of the customer offering

Component 2: Customer management

2.1 Customer segments and targets

- **Market knowledge:** market analysis and segmentation, including potential impact of decline in national or world economy
- **Marketing activities:** marketing and sales activities, including anticipated future market and customer developments
- **Expansion opportunities:** expansion opportunities based on geographical, customer segment and/or product development

2.2 Customer servicing and support

- **Delivery routes:** product or service delivery routes, transport arrangements and/or potential barriers to trade
- **Product quality:** quality of products or services and/or after-sales service arrangements to deliver customer support
- **Customer satisfaction:** extent of customer satisfaction surveys, evaluation of responses and implementation of improvements

Component 3: Resource utilisation

3.1 Assets, activities and core processes

- **People resources:** people resources, skills and availability, including arrangements to protect intellectual property
- **Physical assets:** buildings, property and other physical assets to support operational activities and strategic ambitions
- **IT infrastructure:** IT infrastructure necessary to support core processes and provide sufficient data protection and IT resilience

3.2 Structure, partnerships and networks

- **Management structure:** senior management structure to support operations, implement strategy and liaise with stakeholders
- **Business partnerships:** supply chains and business networks required to develop and deliver services and products to customers
- **Raw materials:** cost and availability of essential raw materials and/or importance of supplier availability and performance

Component 4: Resilience information

4.1 Leadership, governance and reputation

- **Company culture:** leadership style and culture, including extent of 'risk-aware' culture and risk-based decision-making
- **Business ethics:** social, ethical, governance and environmental standards, and the avoidance of unethical product sourcing
- **Brand protection:** protection of brands and reputation, including use of brand extensions to enhance business performance

4.2 Costs, revenue and cashflow

- **Capital requirements:** sources, allocation and management of capital and exposure to interest and foreign exchange rates
- **Financial control:** internal control to prevent fraud, manage credit risk and finance historical liabilities (including pensions)
- **Business continuity:** crisis response, disaster recovery and business continuity plans to ensure operational resilience

Appendix B:

IRM template to assess the challenges of Brexit

COMPONENT	TOPIC	POTENTIAL BREXIT IMPACT
1. Offering to customers		
• Context of the business	• Company status	• Changes to legal status, capital structure and company ownership limitations
	• Regulatory environment	• Changes to regulations and licence requirements for international trade
	• Marketplace competition	• Altered competitor behaviour and reduced ability to track changing customer needs
• Value proposition for customers	• Competitor differentiation	• Different foreign product specifications and changed competition profile
	• Offering choice	• Range and variety of the customer offering restricted by foreign regulations
	• Customer expectations	• Reduced ability to innovate in development and delivery of customer offering
2. Customer management		
• Customer segments and targets	• Market knowledge	• Reduced ability to undertake necessary market research and investigations
	• Marketing activities	• Restrictions on marketing and sales activities because of foreign restrictions
	• Expansion opportunities	• Limited scope or ability to target specific segments for expansion
• Customer servicing and support	• Delivery routes	• Restrictions to movement of goods, including and possible trade barriers
	• Product quality	• Changed product specifications and limits on post-sales support
	• Customer satisfaction	• Increased difficulties in undertaking customer satisfaction surveys

COMPONENT	TOPIC	POTENTIAL BREXIT IMPACT
3. Resource utilisation		
<ul style="list-style-type: none"> Assets, activities and core processes 	<ul style="list-style-type: none"> People resources 	<ul style="list-style-type: none"> Reduced availability of suitable experienced staff and difficulties in protecting IP
	<ul style="list-style-type: none"> Physical assets 	<ul style="list-style-type: none"> Changes in the rules for procurement and utilisation of physical assets
	<ul style="list-style-type: none"> IT infrastructure 	<ul style="list-style-type: none"> Changes to IT infrastructure, data security and protection standards
<ul style="list-style-type: none"> Structure, partnerships and networks 	<ul style="list-style-type: none"> Management structure 	<ul style="list-style-type: none"> More complex management structure required to comply with foreign rules
	<ul style="list-style-type: none"> Business partnerships 	<ul style="list-style-type: none"> Changes to import and export rules, supply chain structures and business networks
	<ul style="list-style-type: none"> Raw materials 	<ul style="list-style-type: none"> Adverse changes to cost and availability of essential raw materials
4. Resilience information		
<ul style="list-style-type: none"> Leadership, governance and reputation 	<ul style="list-style-type: none"> Company culture 	<ul style="list-style-type: none"> Changes to social and ethical standards impact 'risk-aware' culture
	<ul style="list-style-type: none"> Business ethics 	<ul style="list-style-type: none"> Alterations to corporate governance and environmental standards
	<ul style="list-style-type: none"> Brand protection 	<ul style="list-style-type: none"> Reduced international protection of brands and increased counterfeit exposure
<ul style="list-style-type: none"> Costs, revenue and cashflow 	<ul style="list-style-type: none"> Capital requirement 	<ul style="list-style-type: none"> Reduced availability and increased cost of capital and changes in exchange rates
	<ul style="list-style-type: none"> Financial control 	<ul style="list-style-type: none"> Increased internal control, credit risk and historical liabilities exposures
	<ul style="list-style-type: none"> Business continuity 	<ul style="list-style-type: none"> Reduced operational resilience because of restricted cross-border transfers

Appendix C:

List of sources of business model reports used in this report

Amec Foster Wheeler plc – Annual report and accounts 2015

ASOS – ANNUAL REPORT AND ACCOUNTS 2016

Barratt Developments PLC – Annual Report and Accounts 2016

Berkeley Group Holdings plc – ANNUAL REPORT 2016

Big Yellow Group PLC – Annual Report & Accounts 2016

Dixons Carphone plc – Annual Report and Accounts 2015/16

EasyJet plc – ANNUAL REPORT AND ACCOUNTS 2016

Ibstock PLC – Annual Report & Accounts 2015

IMI plc – Annual Report & Accounts 2015

Marks and Spencer Group PLC – ANNUAL REPORT & FINANCIAL STATEMENTS 2016

Network Rail Limited – Annual report and accounts 2015

REXAM PLC – Annual Report 2015

Rio Tinto plc – Annual Report 2015

Royal Bank of Scotland Group plc – Annual Report and Accounts 2015

Royal Mail plc – Annual Report and Financial Statements 2015-16

Sky plc – Annual Report 2016

Vodafone Group Plc – Annual Report 2016

Worldpay Group plc – Annual Report and Accounts 2015



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